

RISK MANAGEMENT

DESCRIPTION

The Risk Management Department provides protection from unplanned losses arising out of county and public school operations. The department provides support services in the areas of loss prevention, industrial hygiene, disaster recovery planning, safety engineering projects, safety training, ergonomic assessments, safety/health audits, OSHA record keeping, and claims administration. The department is responsible for ensuring sound fiscal management of the Risk Management Fund.

The department is also responsible for implementation of improved security measures throughout all county buildings and encompasses the safety of employees. Additionally the department coordinates the environmental management program to address any potential county owned contaminated sites. The program coordinates environmental awareness training for county employees to ensure that compliance with federal regulations is adhered to.

FINANCIAL ACTIVITY

	FY2002	FY2003	FY2004		Change			
	Actual	Adopted	Biennial	FY2004	FY2003 to	FY2005	FY2006	FY2007
			Planned	Adopted	FY2004	Projected	Projected	Projected
Personnel	\$501,499	\$594,100	\$594,100	\$883,500	48.7%	\$883,500	\$883,500	\$883,500
Operating	6,018,569	6,019,200	6,040,900	6,365,100	5.7%	6,390,900	6,416,700	6,442,500
Capital	<u>46,226</u>	<u>12,300</u>	<u>12,300</u>	<u>9,200</u>	-25.2%	<u>9,200</u>	<u>9,200</u>	<u>9,200</u>
Total	\$6,566,294	\$6,625,600	\$6,647,300	\$7,257,800	9.5%	\$7,283,600	\$7,309,400	\$7,335,200
Revenue	<u>6,566,294</u>	<u>6,625,600</u>	<u>6,647,300</u>	<u>7,257,800</u>	9.5%	<u>7,283,600</u>	<u>7,309,400</u>	<u>7,335,200</u>
Net Cost	\$0	\$0	\$0	\$0	0.0%	\$0	\$0	\$0
FT Pos.	11	11	11	14	3	14	14	14

Note: Transfer of two positions from Capital Projects and one from the "Unassigned" responsibility center is reflected in the FY2004 number above.

BUDGET ANALYSIS AND EVALUATION

During FY2003 the structure of Risk Management Administration was modified to address the three main areas of focus: loss prevention, finance management, and claims administration.

The claims division of Risk Management is confronted with the challenges in the medical administration of cancer and heart ailment claims. These claims have required the increased use and expense of medical consultants to assure that affected employees are provided the most current information and effective treatment options. The claims division processes over 2,000 county and

school employee requests for service annually (2,289 claims processed in FY2002). The dollar amount of claims processed in FY2002 was \$3.23 million. It is anticipated that this number will grow to an estimated \$3.41 million in FY2003 and \$3.42 million in FY2004. While the number and dollar amount of claims is steadily increasing, the complexity of claims is requiring an increasing amount of expertise and time. This division consists of four staff positions. In order to keep pace with the level of customer service that should be provided for each claim request, two additional full time positions were requested in the FY2004 budget. One

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additional full time claims adjuster position will be funded. This position will be transferred from the unassigned/unfunded area. Also requested but unfunded is \$15,000 for a medical consultant for workers' compensation injuries.

After the World Trade Center and Pentagon attacks, insurance for catastrophic loss has become more expensive and difficult to obtain. The department works closely with a risk consultant and broker to obtain the most favorable mix of insurance and self-insured retentions. Nevertheless, due to the 09-11-01 event and declining profits in the stock markets, insurance companies are raising premiums and increasing deductibles. The FY2004 budget reflects an increase of \$347,300 in insurance premiums for all types of coverage that has been reflected in the charges that will be passed on to county departments and schools.

The loss prevention division consists of two full-time and one part-time employee who provide research, tactical information, and support for the newly appointed Safety and Health Steering Committee.

As a result of a FY2002 Process Action Team (PAT) recommendation, a joint Safety and Health Steering Committee was appointed to perform the following tasks: (1) review the Virginia Voluntary Protection Program criteria and determine what resources will be needed to meet this criteria; (2) propose safety and health objectives to be placed within the county's Strategic Plan under goal number six "To Be the Employer of Choice"; (3) recommend criteria for safety and health measurements to be included in all employee performance evaluations; and (4) research the best method for providing occupational healthcare that will ensure OSHA required testing and post-accident treatment and referral. Other recommendations approved were to ensure that Chesterfield University School of Health, Safety, and Security provide OSHA required training, as well as to provide training that reflects accident trends, safety management, and supervisor training courses.

The Safety and Health Steering Committee will nominate members to deploy an Employee Safety and Health Council that will perform the following tasks: (1) create countywide safety and health procedures as well as department specific procedures; (2) provide a realistic and uniform

supervisor accident investigation process; (3) provide for effective communication of loss statistics to departments; and (4) establish a risk management liaison in each department and for the schools.

Additionally the PAT recommended addressing the workers' compensation long-term liability and the need for the ability to roll over any remaining funds from one year to the next. It is anticipated that a change to the Risk Management Internal Service Plan will be adopted by the Board of Supervisors by the end of FY2003 to accommodate this change.

The PAT also recommended providing benefits information services to county employees and assist employees in making an informed decision about available options. This recommendation will be accomplished in FY2004 by the conversion of a part-time human resource analyst to full-time status in the Human Resources Department.

Requested but not funded in the FY2004 budget for the loss prevention division is \$8,400 for weekend and holiday security patrols of schools and construction sites as well as \$4,000 for fraud training for county and school employees.

The finance administration division of Risk Management consists of three positions and is responsible for: acquiring replacement information for county and school assets exceeding \$900 million, selecting cost effective insurance coverage, calculating annual risk management charges for county and schools, management of the departmental budget, compiling reports and disseminating that information to department directors and leadership, operation of the risk management information computer system, and primary support for the county's disaster recovery plan within the emergency operations plan.

Also funded in the FY2004 budget is \$9,200 for two replacement computers and miscellaneous furniture and equipment.

Security management is also a division of Risk Management. This division coordinates security needs (current buildings as well as new construction) and addresses employee security. This division consists of a security manager and also engages the assistance of outside consultants as needed. The division will also lend support to and

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coordinate the Security Committee. A security survey of county facilities and recommendations for building upgrades and/or policy and procedural recommended changes is underway. Recommended improvements will be prioritized and completed as funding allows. The FY2004 capital improvement program (CIP) includes \$283,000 in funding to address facility security upgrades.

Requested but not funded in the FY2004 budget for security management is: \$34,200 for a full-time position for security system administration, \$23,300 for a part-time security analyst position, and \$40,000 for computer hardware for the security system network.

Additionally, the county has enhanced its efforts to assess and remediate environmental risks. With adoption of the FY2003 county budget, the Board of Supervisors adopted an eighth goal: "To Be The Responsible Protectors of the Environment". As responsible protectors of the environment, the county will work as a team along with involvement from citizens to explore, develop, and communicate new and innovative approaches toward reducing and preventing pollution and preserving our natural environment for present and future generations.

As a result, the FY2004 Risk Management budget includes operating funds for the environmental management function. This division is comprised of two full-time positions (that are being transferred from county capital projects), part-time funding, and an operating budget to cover office rent, telephones, and other associated operating costs.

A committee comprised of county and school employees recently completed a detailed inventory

of county operations subject to environmental regulations. As a result of this effort, an environmental management program has been developed with the goal of improving environmental issues and ensuring that employees receive adequate training and information on environmental matters. The FY2004 CIP includes funding in the amount of \$200,000 for continued implementation of the environmental management program.

Additional funding requests totaling \$150,300 for the FY2004 environmental management division included a full-time environmental trainer position, operating funds to hire a consultant to develop standards and operating procedures for county fairground users, and reimbursement to the Utilities and Fleet Management departments for environmental training. These items remain unfunded.

This function and the security management division are overseen by the assistant to the county administrator.

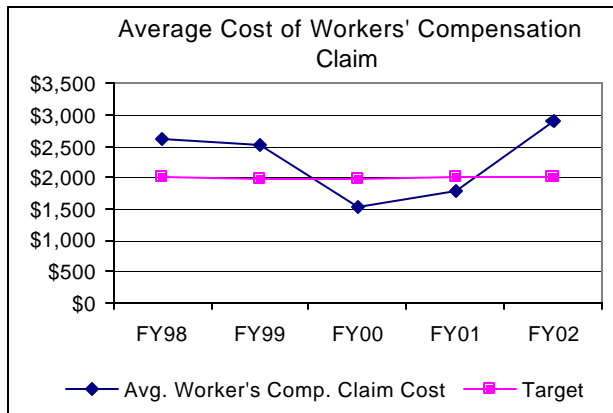
Funds to facilitate security management as well as environmental management have been consolidated with other risk management functions and therefore are included in the risk management charges that are being billed out to county departments and schools.

For a more detailed illustration of changes between fiscal years, see the Risk Management fund report found in the Revenues and Expenditures Summary section of this document.

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HOW ARE WE DOING?

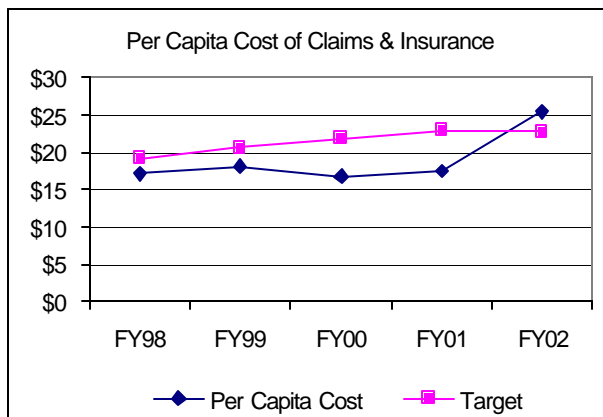
Goal: Provide superior products & services. Supports countywide strategic goal number 2
Objective: Reduce the insurance and other risk management costs by 3%.
Measure: Average cost of workers' compensation claim



Initiatives

- Workers' comp. PAT recommendations
- Safety & health steering committee
- Creation of full-time HR Benefits Analyst

Goal: Provide superior products & services. Supports countywide strategic goal number 2
Objective: Reduce the insurance and other risk management costs by 3%.
Measure: Cost of claims and insurance per capita



Initiatives

- Workers' comp. PAT recommendations
- Employee education plan
- Safety & health steering committee
- Inclusion of safety and health measurements in every employee's performance evaluation
- Chesterfield University School of Health, Safety, and Security training classes
- Creation of Employee Safety and Health Council

WHERE ARE WE GOING?

The Risk Management Department seeks to reduce the accidental losses incurred by the county and schools. The tool that the department will be using

is a strategic plan developed during FY2002. The plan outlines objectives, measurements action plans, responsible persons and deadlines.

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Strategies that will be used in FY2004 and future years include:

- Continue to review and update all written procedures
- Reduce Workers' Compensation medical cost by negotiated contracts
- Define optimal insurance/self-insurance purchase points
- Continuation of the safety and health steering committee
- Develop an employee education plan to address high frequency causes of injury and illness
- Provide Industrial Hygiene services to reduce illness exposures
- Implement an Occupational Health testing system to reduce illness exposures
- Develop Joint Accident Review Board leadership
- Evaluate other Hazardous Identification Systems
- Increase the knowledge of employees regarding contract risk mitigation
- Increase contract insurance compliance through education of employees
- Improve the system which collects information regarding risk exposures
- Outsource some claim administration processes
- Increase the efficiency of our claim administration technology
- Assure that the cost of risk of each departments' operations is accurately reflected within its budget
- Develop each Risk Management employee's opportunities for improvement
- Champion a community service project to be performed by Risk Management employee volunteers

Security management will continue implementation of the security survey recommendations. The FY2005-FY2010 CIP recommends a total of \$828,000 over the six-year period to implement these recommendations.

The environmental management division will continue addressing issues outlined in the environmental management program. Funding allocated in the CIP from FY2005-FY2010 totals \$1.1 million.

The operating budgets for all divisions remain constant in FY2005-FY2007.